

# Independence Asset Advisors

## MONTHLY MARKET REVIEW – December 2023

	Dec 2023	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	4.54%	26.29%	10.00%	15.69%	12.03%
U.S. Small Cap Equities Russell 2000	12.22%	16.93%	2.22%	9.97%	7.16%
Energy Infrastructure Equities Alerian U.S. Midstream	-1.94%	19.16%	30.82%	14.19%	5.48%
Core Infrastructure MSCI World Core Infrastructure	2.39%	5.07%	3.72%	5.71%	3.87%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	10.02%	13.96%	7.18%	6.12%	7.00%
Global Equities MSCI All Country World Index	4.80%	22.20%	5.75%	11.72%	7.93%
International Developed Equities MSCI EAFE	5.31%	18.24%	4.02%	8.16%	4.28%
Emerging Market Equities MSCI Emerging Markets	3.91%	9.83%	-5.08%	3.69%	2.66%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	3.83%	5.53%	-3.31%	1.10%	1.81%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	2.32%	6.40%	-0.40%	2.25%	3.03%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	3.73%	13.45%	1.98%	5.37%	4.60%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	1.65%	13.32%	5.76%	5.80%	4.42%

## MARKET UPDATE

- Global markets ended the year on a high note with equity and fixed income indexes up broadly.
- U.S. large cap “value” outperformed “growth” with a muted 3.9% return from the “magnificent seven”.
- U.S. small cap outperformed with the release of economic data suggesting lower interest rates ahead.
- Public real estate produced a double digit return as U.S. mortgage rates declined into the mid-6% range.
- Non-U.S. equities were broadly positive in December, but returns were constrained by heightened geopolitical risks in the Middle East and sluggish economic growth in China.
- Fixed income indexes were positive in December as yields continued their downward trend.
- The Bloomberg U.S. Aggregate Index yielded 4.5% at year-end, a 0.6% monthly decline.
- Corporate high yield bond yields declined nearly 1% to 7.6%, with no material change to the default rate.
- Following the 5% peak in October, the yield on the U.S. 10-year Treasury fell to 3.9% at year-end.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, CBC, Bank of Canada, Bloomberg, Capital Economics, Reuters, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics

## IAA's WATCH LIST:

Category	Comments
<b>Growth</b>	<ul style="list-style-type: none"> <li>The U.S. economy officially grew at an annualized 4.9% rate in 3Q23, a sharp increase compared to the prior quarter (2.1%). Consumption, along with private inventories, new home construction and government spending drove growth, while weaker equipment spending detracted from growth.</li> <li>Growth is projected to slow further in 2024 amid lower consumer and business spending.</li> </ul>
<b>Profits</b>	<ul style="list-style-type: none"> <li>The third quarter earnings season resulted in final operating earnings per share of \$52.23, or year-over-year earnings growth of 3.7%, and a quarter-over-quarter decline of 4.8%.</li> <li>Revenue growth was the largest contributor to earnings.</li> </ul>
<b>Jobs</b>	<ul style="list-style-type: none"> <li>December saw healthy job gains, with ADP reporting U.S. companies adding 164K jobs, led by service sector jobs in education, healthcare and leisure &amp; hospitality.</li> </ul>
<b>Inflation</b>	<ul style="list-style-type: none"> <li>Core PCE (Personal Consumption Expenditure) inflation, which excludes food and energy, rose 0.1% in the month of November and 3.2% on a year-over-year basis, from 3.4% (prior month).</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>The Fed elected to take no action when it met in December, holding the policy rate at 5.25%-5.50%, noting that rates were likely at their cycle peak.</li> <li>The median FOMC member expects three interest rate cuts in 2024 to approximately 4.6%, which represents one extra rate cut compared to the September dot plot.</li> </ul>

## CANADA:

- The U.S. dollar index (DXY) decreased 2.1% in December and 2.5% year-to-date.
- The U.S. dollar weakened 2.2% against the Canadian dollar in 2023 to end the year with an exchange rate of **1.32**.
- The Bank of Canada's policy rate ended the year unchanged at 5.00%.
- CPI inflation (Consumer Price Index) moderated to 3.1% as of November.
- After holding interest rates steady for the fourth month in a row, Canada's central bank may consider lower rates in mid-2024, although persistently high mortgage interest rates and rent costs may keep inflation above the targeted 2% long-term rate for an extended period.



## COMMODITIES:

### OIL:

- **The price of crude oil was \$71.33 per barrel (WTI).**
- Oil prices declined \$4.24 per barrel, or 5.6%, in December.
- The monthly price decline was attributable to rising global supplies, particularly from non-OPEC producers.
- The United States became the largest global producer of crude oil in 2023.
- **Oil is forecasted to trade between \$74 and \$81 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

### COPPER:

- **The price of copper was \$3.89 USD per pound.**
- Copper prices increased \$0.06 per pound, or 1.6%, in December.
- Copper prices are expected to rise further in 2024 as traders added to their long copper positions amid concerns that long-term supply may fail to keep pace with bullish demand amid the global electrification movement.
- **Copper is forecasted to trade between \$3.80 per pound and \$4.14 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$3.87	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

### ALUMINUM:

- **The price of aluminum was \$2,384 USD per tonne.**
- Aluminum prices increased \$191.00 per tonne, or 8.7%, in December.
- Aluminum prices increased sharply in December amid a shortfall in supply and constraints on Chinese supply. However, analysts are optimistic about the price going forward, with additional Chinese stimulus expected to increase demand.
- **Aluminum is forecasted to trade between \$2,300 USD/tonne and \$2,549 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,651	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

## Disclosures:

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